

BEFORE THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

In the Matter of the Application of)	
YMax Communications Corp.)	
for a Certificate of Public Convenience and Necessity)	
to Provide Facilities Based Local Exchange)	Docket No. 2006-85-C
and Resold Telecommunications Services)	
and for Flexible Regulation of its Local Exchange)	
Services and Alternative Regulation Of its)	
Long Distance Service Offerings)	
Within the State of South Carolina)	

YMAX COMMUNICATIONS CORP.

TESTIMONY OF PETER RUSSO
CHIEF FINANCIAL OFFICER

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THE E-FILED COPY SUBMITTED TO THE
COMMISSION IN ACCORDANCE WITH
ITS ELECTRONIC FILING INSTRUCTIONS.**

1 **Q. Will you please state your name and business address.**

2 A. My name is Peter Russo. My business address is 223 Sunset Avenue, Suite 223, Palm Beach,
3 Florida 33480. My telephone number is (561) 832-3021.

4
5 **Q. By whom are you employed and in what capacity?**

6 A. I am the Chief Financial Officer of YMax Communications Corp.
7

8 **Q. Please give a brief description of your background and experience.**

9 A. I held the position of Chief Financial Officer and Director of Operations for Group Long
10 Distance, Inc. from 1996 through 2000. In that position, I was responsible for financial
11 operations, cash management, customer service and collections. I also managed the
12 company's IPO process and was responsible for credit agreements, carrier contracts and LEC
13 billing arrangements. I implemented systems for financial reporting and cash flow
14 monitoring and worked with Securities and Exchange Commission regulators, NASDAQ
15 and various state Public Service Commissions. I was also the head of Investor Relations,
16 requiring continual contact with the company's Board of Directors, investment bankers,
17 shareholders and outside accountants and performed due diligence and valuations for
18 numerous acquisitions.

19 After leaving Group Long Distance, I served for five years as the head of finance and
20 operations for a thoroughbred horse racing and breeding business, where I established
21 bookkeeping and accounting systems, cash flow management and was responsible for
22 preparation of tax returns, and for dealing with sale companies, tracks, farms, trainers and
23 licensing authorities.

24 From 1988-1996, I held various positions including Senior Vice President, Corporate,
25 Credit Administration and Operations, and Executive Vice President USA for the State Bank
26 of South Australia where I was responsible for a portfolio of assets that included senior and
27 subordinated loans, syndications, asset-based lending and mezzanine financings. I managed
28 all operational areas (loan and credit administration, accounting and finance, treasury
29 support and funds transfer), and developed commercial loan modules, interest rate risk
30 management systems and numerous operating policies and procedures, as well as established
31 credit controls, loan grading systems and credit analysis functions. In addition, I headed the

1 Corporate Loan Workout Section in order to maximize return on assets and minimize credit
2 risk. I was a member of U.S. Lending Credit Committee and Treasury Risk Management
3 Committee in the London office where, during a twelve-month period, I put into place
4 operating procedures and corporate lending guidelines that mirrored success in U.S. offices.

5 Other experience includes serving as First Vice President, Administrative Service
6 Group for Australia and New Zealand Banking Group (1979-1988) and as Staff Auditor for
7 the Algemene Bank Nederland (1974-1978).

8 I hold a B.B.A. in Accounting (1978) from Pace University in New York, and am a
9 graduate of American Bankers Association School of Bank Lending (1988) at the University
10 of Oklahoma.

11
12 **Q. Are you familiar with the testimony submitted by Daniel Borislow on behalf of YMax**
13 **Communications Corporation on May 15, 2006?**

14 A. Yes.

15
16 **Q. Do you concur with Mr. Borislow's testimony?**

17 A. Yes. With the Commission's permission, I would like to adopt Mr. Borislow's testimony in
18 addition to my own testimony.

19
20 **Q. What is the purpose of your testimony?**

21 A. The purpose of my testimony is to demonstrate that YMax Communications Corp. ("YMax"
22 or "the Company") is technically, financially, and managerially capable of providing local
23 and long distance telecommunications services in South Carolina.

24
25
26 **Q. Has YMax registered to do business in South Carolina?**

27 A. Yes. YMax has authorization to conduct business in South Carolina. A copy of the Secretary
28 of State certificate is attached to the Company's application in Attachment I.

29
30 **Q. Describe YMax's experience in the telecommunications business.**

31 A. The Applicant is a start-up company, and, as such, has not yet initiated operations in any

1 state. The Applicant has applied for CLEC authority or registered as a CLEC in all states and
2 to date has received authority in Alabama, Colorado, the District of Columbia, Florida, Iowa,
3 Illinois, Kentucky, Maryland, Montana, North Dakota, New Hampshire, New Jersey, New
4 York, Ohio, Oregon, Pennsylvania, Rhode Island, Texas, Washington, and Wisconsin. It has
5 not been denied authority in any state and expects its authority to be granted in the remaining
6 states during the next few months.

7 The Company's management team has strong managerial ability and experience in the
8 telecommunications industry that will allow it to be a successful facilities-based local
9 exchange provider and long distance reseller within the state of South Carolina.

10
11 **Q. Where in South Carolina does YMax intend to offer its local services?**

12 A. By its application, YMax is seeking to offer facilities-based local service and resold long
13 distance service statewide. However, the Company intends to initially offer services only in
14 the service areas of BellSouth.

15
16 **Q. Please describe the services YMax proposes to offer.**

17 A. The Company proposes to initially offer local and exchange access service, as well as resold
18 long distance service. The Company will offer its services 24 hours a day, 7 days per week.
19 The Company has a strong managerial and technical staff with many years of direct
20 operational telecommunications experience. Profiles of key management staff are provided
21 in the Company's Application as Exhibit D.

22
23 **Q. Does YMax own any network switches or transmission facilities used in routing calls?**

24 A. The Company does not currently own any switches or transmission facilities, but proposes to
25 initially offer its services through an unbundled network elements provided by the
26 underlying ILECs and through the purchase of wholesale services from other carriers. The
27 Company may install switching facilities in the future, but does not intend to install
28 transmission facilities.

29
30 **Q. How will YMax bill for its services?**

1 A. YMax intends to bill its customers directly, using its in-house billing systems. The
2 Company's name will appear on the bill and the bill will contain a toll free number for
3 inquiries.
4

5 **Q. How will billing errors, complaints and trouble reports be handled?**

6 A. YMax's retail customers will be able to contact the Company through a toll free telephone
7 number for billing inquiries and questions. The toll-free number is 1-888-230-0060. The
8 retail Customer Service Department will be staffed Monday-Friday, 8:00am - 6:00 pm
9 Eastern Time.
10

11 **Q. How will YMax effect repairs for local service?**

12 A. YMax will provide repair services using its own agents or through agents contracted for with
13 the incumbent local exchange carrier or an independent third-party contractor.
14

15 **Q. Describe the proposed YMax South Carolina tariffs.**

16 A. YMax included illustrative tariffs, which contain the rules, regulations and rates for YMax's
17 local and interexchange services. YMax proposes to offer resold interexchange
18 telecommunications services to its residential and business customers. The Company's local
19 exchange services tariff provides descriptions and rates for local exchange services,
20 including custom calling features. Lastly, the Company provides an exchange access tariff.

21 **Q. Does YMax provide operator services?**

22 A. Yes, but only to its presubscribed customers.
23

24 **Q. Has YMax begun negotiations with incumbent LECs in South Carolina?**

25 A. Yes. YMax has entered into a multi-state interconnection agreement with BellSouth, which
26 has been or will soon be filed with the Commission.
27

1 **Q. Describe YMax's financial ability to operate as a telecommunications provider.**

2 A. YMax has access to sufficient financial resources to provide the requested
3 telecommunication services in South Carolina, the financial capability to maintain these
4 services, and the financial capability to meet its lease and ownership obligations. Financial
5 information was provided as Exhibit C to the Company's application and supplemental
6 information has been provided in response to various data requests.

7
8 **Q. Please explain the source of Ymax's financial resources.**

9 A. Dan Borislow, the majority shareholder of the Applicant's parent company, YMax
10 Corporation, which is the sole owner of YMax Communications Corp., has provided YMax
11 with a \$5 million line of credit from his personal financial resources. As indicated in the
12 affidavit filed to supplement the application, Mr. Borislow's assets currently total over \$78
13 million dollars, with liabilities of \$8.3 million, for a net worth of approximately \$70 million
14 dollars. This line of credit is being used to fund the Applicant's start-up costs and initial
15 stages of operation until it can begin to generate positive cash flow. The line of credit that
16 Mr. Borislow has made available is interest free and is not subject to specific repayment
17 terms. Consequently, the Applicant will have access to adequate funding for its operations,
18 without being saddled with a constraining debt burden.

19
20 **Q. Please explain the financial and operational relationships between YMax
21 Communications Corp. and its parent, YMax Corpooeration.**

22 A. YMax Corporation was established on January 25, 2005, for the general corporate purpose of
23 investigating telecommunications opportunities. It was the founder's intent that YMax
24 Corporation would act as the holding company for any business initiatives that YMax would
25 undertake. Note that, while Mr. Borislow initially owned 100% of the shares of YMax
26 Corporation, the company subsequently raised \$1,000,000 from outside investors, resulting
27 in those investors holding 3% of the shares. Mr. Borislow continues, however, to control
28 100% of the voting shares.

29 On May 25, 2005 YMax Communications Corp. was established to be the operating
30 company for YMax Corporation's telecommunication services initiatives. YMax Corporation
31 owns 100% of YMax Communications Corp. The telecommunication assets of YMax

Corporation were transferred to YMax Communication Corp. in April 2006.

Q. Do you believe YMax is capable of delivering its proposed services in South Carolina?

A. Yes, in addition to having sufficient financial resources, the senior management team of YMax has a varied and detailed background in telecommunications.

Q. Where in South Carolina does YMax intend to offer its services and how will those services be offered?

A. YMax intends to offer local telecommunications service throughout the BellSouth service territory area to residential and business customers. We have entered into a Stipulation with the South Carolina Telephone Coalition and agree to provide notice of our intent to provide service in the areas of the incumbent rural carriers as outlined in the Stipulation.

Q. How do you plan to solicit customers?

A. The Company intends to solicit retail customers using agents and/or direct mail advertising. The Company is investigating other marketing channels. The company does not intend to use telemarketing in South Carolina at this time. If we decide to utilize telemarketing in the future, we will provide the Commission and ORS with sample telemarketing scripts.

Q. Did YMax request any waivers in its application?

A. Yes. We requested waivers from any requirements that our financial records be maintained in conformance with the Uniform System of Accounts. We currently maintain our books and records in accordance with GAAP; and therefore, do not possess the detailed cost data required by USOA. In addition we requested a waiver of 26 S.C. Reg. 103-610's requirement that our books be kept in South Carolina. Our records are currently maintained in Florida. maintaining its books and records in South Carolina would be unduly burdensome. YMax has a registered agent in South Carolina and will bear any costs associated with the Commission's inspection of its books and records. We also requested to be exempt from the requirement that we publish a local directory. We will make arrangements with the incumbent carrier to include our customers in the directory published by the incumbent LEC.

Q. Did YMax request flexible regulatory treatment for its local exchange services?

1 A. Yes. We will be a non-dominant, competitive provider of local exchange
2 telecommunications services. Therefore, we request that the Commission regulate our
3 company in the same relaxed fashion authorized in Order No. 98-165 in Docket No. 97-
4 467-C and extended to other similarly situated carriers. We understand that this flexible
5 regulatory treatment requires that we file maximum rates for our service offerings. Local
6 tariff filings would be presumed valid once they are filed subject to the Commission's
7 right to investigate the filing within thirty days.

8
9 **Q. What Regulatory Treatment is YMax seeking in this Application for its long distance**
10 **business services, consumer card services, private line services and operator assisted**
11 **services offerings?**

12 A. YMax requests that all of its business service offerings be regulated pursuant to the
13 procedures described and set out in Docket No. 95-661-C and as modified by Order No.
14 2001-997-C in docket No. 2000-407-C. It is YMax's intent by this request to have its long
15 distance business services, consumer card services, future private line services, and operator
16 assisted services regulated in the same manner as this Commission has permitted for by
17 AT&T Communications of the Southern States. Specifically, YMax requests:

- 18 a. removal of maximum rate tariff requirements for its business services,
19 consumer card, operator service, and future private line, and customer
20 network-type offerings;
- 21 b. that tariff filings for these uncapped offerings are presumed valid upon filing.
22 If the Commission institutes an investigation of a particular filing within
23 seven days, the tariff filing will be suspended until further order of the
24 Commission; and
- 25 c. any relaxation in the reporting requirements that may be adopted for AT&T
26 shall apply to YMax also.

27
28 We understand that the alternative regulation orders were modified by Order No.
29 2001-997 so that rate caps for operator-assisted calls where a consumer uses a local
30 exchange carrier's calling card to complete calls from locations which have not selected that
31 local exchange carrier as their toll provider. The order imposed a maximum cap of \$1.75 for

1 operator surcharges for such calls, and a maximum cap of \$0.35 related to the flat per-minute
2 rate associated with these calls.

3 **Q. How will South Carolina consumers benefit from YMax's services?**

4 A. Certification of YMax as a facilities-based provider of local exchange services will increase
5 the level of competition in South Carolina. YMax proposes to offer quality services at
6 competitive prices. YMax' service offerings will increase consumer choice, improve the
7 quality and efficiency in telecommunications services and will likely lead to the reduction of
8 consumer costs, as well as stimulate development of additional services by providing
9 competitive incentives to other providers. Thus, granting YMax' application is in the public
10 interest.

11
12 **Q. Does this conclude your testimony?**

13 A. Yes.
14